

Lianhe Global has assigned ‘BBB-’ to CIFI Holdings (Group) Co. Ltd.’s proposed USD notes

HONG KONG, 06 November 2020 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD notes (“the USD notes”) to be issued by CIFI Holdings (Group) Co. Ltd. (884.HK) (“CIFI”, ‘BBB-’/Stable).

CIFI intends to use the net proceeds from this offering for refinancing its existing indebtedness.

Key Rating Rationales

The USD notes are rated at the same level as CIFI’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as they constitute CIFI’s senior and unsecured obligations. CIFI’s obligations for the USD notes shall rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The Issuer Rating reflects CIFI’s established leading position in the Chinese property developer market, a track record of prudent operating performance, consistent profitability, and financial discipline demonstrated in the past years. The rating also considers our assessment of CIFI’s position in the credit polarization in the Chinese property development industry exacerbated by the recent COVID-19 outbreak.

The Stable Outlook reflects our expectation that CIFI will continue expanding its franchise, diversifying revenue source, and replicating the success in the Yangtze River Delta (“YRD”) region to continue expanding and deepening its footprint nationally by formulating the strategy of centralized financing, investing and decision-making platform while delegating its project management to the seven decentralized regional teams/offices to streamline the operation to achieve a high efficiency.

Rating Sensitivities

Any rating action on CIFI’s rating would result in a similar rating action on the USD notes.

We would consider downgrading CIFI’s rating if it were to (1) aggressively replenish its land bank which would result in an increase in its financial leverage as measured by debt/capitalization to over 65% or a decrease in its EBITDA interest coverage to below 3.5x consistently, and/or (2) its operating performance were to deteriorate such that its contracted sales and/or revenue experience a material decline or liquidity profile is worsened.

We would consider upgrading CIFI’s rating if it were to (1) considerably increase its operating scale, and/or (2) maintain its financial leverage as measured by a debt/capitalization at below 50%, and an EBITDA interest coverage ratio at above 5.0x, consistently.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

The principal methodology used in this CIFI's rating is Lianhe Global's General Corporate Rating Criteria published on 16 July 2018, which can be found at the website www.lhratingsglobal.com.

Note: The above Issuance Credit Rating is solicited at the request of the rated entity or a related third party.

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